

# West Des Moines' data center will be Microsoft's 'largest' in U.S.

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(Photo: Michael Zamora/The Register)

Microsoft is set to build its largest data center in the U.S. in West Des Moines, spending \$1.5 billion on a complex that will be larger than Jordan Creek Town Center.

## 15 photos: Microsoft data center coming to West Des Moines

It's the third data center the technology giant is bringing to the area, by Microsoft's announcement Friday. The announcement served as an official recognition that Microsoft is behind the mysterious Project Osmium, which first came to light this month.

When all three data centers are done, Microsoft will have invested about \$3.5 billion in West Des Moines.

"Microsoft could build these data centers anywhere in the world, and they've chosen our city, now in four different counties, for their investment," West Des Moines Mayor Steve Gaer said during a news conference.

Osmium will consist of four phases and occupy 1.7 million square feet. By comparison, Jordan Creek Town Center's covered shopping area is about 1 million square feet, Gaer said.

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Osmium will be built on about 200 acres on West Des Moines' southwest side, just south of the Dale Maffitt Reservoir and west of Interstate 35. It will occupy land in Madison and Warren counties that West Des Moines plans to annex.

Leaders for the city, state, and Madison and Warren counties praised Microsoft's investment as a sign of future growth for the area. They also said it will boost central Iowa's reputation as a home in the data storage industry.

"We have made a name for ourselves in Iowa in the data center world," Gov. Terry Branstad said.

Microsoft declined to comment and had no representatives at Friday's news conference.

## An evolving project

Clyde Evans, the city's community and economic development director, said the exact size of Osmium is a moving target. The company originally came to West Des Moines with one plan, only to say last week that it wanted to expand it.

"This project is evolving," Evans said.

Osmium's first phase will cost about \$418 million and employ at least 57 people.

On Friday, the Iowa Economic Development Authority approved a \$4.7 million sales, service and use tax refund to Microsoft for the project.

For its part, West Des Moines plans to provide incentives to Microsoft in the form of building and installing infrastructure. That includes ways to get water and sewer services to the data center, as well as road expansions, such as an extension of Veterans Parkway.

Evans said West Des Moines has plans for at least \$65 million in public infrastructure projects tied to Osmium. The new infrastructure will be paid for through new property taxes from Microsoft, he said.



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The company is expected to pay \$12.3 million a year in property taxes once all phases of Osmium are complete. The city is offering no tax abatements to the center.

### **Lots of space, few jobs**

Data centers, especially from big-name companies such as Microsoft and Facebook, are essentially large buildings filled with servers. They cost a lot to build, but employ relatively few people, a point that has caused some to criticize providing incentives for the projects.

"These large capital projects, they look great because they are a lot of money, but they do not generate a lot of net new labor income for the state of Iowa," said Dave Swenson, an Iowa State University economist.

Construction on the Osmium data center is expected to start in early 2017 and be complete in 2022.

Microsoft already operates or is constructing two other data centers in the city that came to light under the code names Mountain and Alluvion.

All three sites are within 5 to 7 miles of each other.

The data centers serve as hubs for Microsoft Azure, the company's cloud storage service.

Microsoft has been making a play to invest more in cloud infrastructure since new CEO Satya Nadella came aboard in 2014.

### **Past work credited**

Evans credited the city's existing relationship with Microsoft for landing the Osmium project.

"On both sites (Mountain and Alluvion), it required us to extend infrastructure to them. We've been able to do that on schedule or ahead of schedule, under budget. We have a history of being able to perform for them," Evans said.

Evans also said discussions for Osmium came up quickly after the city secured Microsoft's second data center, in 2014.

"When we did Alluvion, they were saying, 'Well maybe in five, six years we'll be looking for another site,'" Evans said. "It was less than probably six months (after Alluvion), they were back looking for another site."

### **Microsoft's data centers**

#### **Project Mountain**

- **First announced:** 2008; expansions in 2011 and 2013
- **Total investment:** About \$1 billion
- **State incentives:** \$20.7 million
- **Job obligations:** 64
- **Progress:** Three of four phases complete

#### **Project Alluvion**

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- **First announced:** 2014
- **Total investment:** \$1.1 billion
- **State incentives:** \$20.3 million
- **Job obligations:** 84
- **Progress:** Starting second of four phases

#### Project Osmium

- **First announced:** 2016
- **Total investment:** \$1.5 billion to \$2.5 billion
- **State incentives:** \$4.75 million for first phase
- **Job obligations:** 57 for first phase; 133 jobs total expected
- **Progress:** Construction expected to start in spring 2017

*Sources: Iowa Economic Development Authority; city of West Des Moines*

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